



North Carolina Department of Revenue

Pat McCrory
Governor

Lyons Gray
Secretary

December 15, 2014

MEMORANDUM

To: Users of the Cost Index and Depreciation Schedules

From: David B. Baker, MPA, PPS
Director, Local Government Division

Re: 2015 Cost Index and Depreciation Schedules

This letter serves as notice that the Cost Index and Depreciation Schedules for the 2015 tax year are available and attached. We will have the Cost Index and Depreciation Schedules on the website as soon as possible. Our publication website is:

www.dornc.com/publications/property.html.

We recommend the use of these schedules in the valuation of business personal property and certain taxable personal property listed as of January 1, 2015.

There were a few changes this year, other than the usual percent good factor adjustments. These changes are for appraisals as of January 1, 2015 and forward only and are not retroactive. The changes have been marked with an asterisk in the index and the more significant ones are described below:

- 1) Regarding the major category, "TEXTILE MILL PRODUCTS", the special A-8 and A-10 textile schedules are being phased out over the next several years. Beginning immediately, our recommendations and planned actions are as follows: (1) The special A-8 and A-10 schedules should not be applied to any textile manufacturing equipment acquired in 2009 or later. (2) Counties should continue to review any equipment older than 2009 to determine if, in their opinion, the special schedules should still apply. (3) We will continue to publish the special schedules each year until the 5% residual percent good applies to year 2009 in both the special A-8 and A-10 schedules. Thereafter, we will no longer publish the special textile schedules. (4) Counties can continue to apply the 5% residual to equipment acquired in 2009 and earlier if they have deemed it appropriate. For older technology textile mill equipment in use, we recommend considering Attachment 1 of this memo (which is where the special A-8 and A-10 schedules were relocated) as appropriate based on your familiarity with the equipment being appraised.

- 2) As a reminder, Schedule N shows a straight-line schedule that depreciates down to zero, for illustrative purposes. However, you should always use a 25% residual when applying Schedule N unless you have analyzed a particular situation and decided to do otherwise.
- 3) On index page 6 under the category “Electric Energy Generation Equipment,” we have added “G. Thermal Solar Electric Generating Equipment” with a **T-18** recommended schedule. Solar thermal energy systems capture the heat of the sun and use it to heat water.
- 4) On index page 2 under the category “Banks & Savings And Loan Equipment,” we have added “Currency Processing Solution Safe” with a **H-20** recommended schedule. This safe functions as a cash management system that verifies currency, checks for counterfeit bills, and tracks cash deposits for easy balancing and reconciliation.
- 5) On index page 16 under the category “Vending Equipment,” we have added “Breathalyzer” to the “Miscellaneous” subheading. This vending machine analyzes the chemical composition of a person’s breath to determine if that person is inebriated.

PLEASE NOTE: Recent enacted legislation has changed the way that property owned by wireless cellular companies, including their towers, will be appraised and valued. As of January 1, 2015, the Local Government Division will be responsible for valuing this type of business and providing counties with the allocated values. Cellular companies will report their costs of equipment directly to the Public Service unit in our Property Tax Section. The appraisals will include towers, cell site housing, fencing, concrete, supplies, construction in progress, and machinery & equipment. County real property appraisers will continue to appraise and value the tower site as well as the buildings that wireless cellular companies are located in. The descriptive information about cellular equipment will remain in the Cost Index & Depreciation Schedules on index page 4 for continued reference.

In 2005, the North Carolina Court of Appeals affirmed the North Carolina Property Tax Commission’s decision in the matter of the appeal of Westmoreland—LG&E Partners from the decision of the Halifax County Board of Commissioners for the tax years 1996-2001. In its decision, the North Carolina Court of Appeals opinion quoted excerpts from the Property Tax Commission’s decision. The opinion quotes, “The Tax Administrator properly applied the Cost Index and Depreciation Schedules developed by the North Carolina Department of Revenue...” The Court also writes, “It is well-settled in this State that ad valorem tax assessments are presumed correct.” This and other previous cases have solidified our opinion that, when used properly, the Cost Index and Depreciation Schedules are well accepted by the Courts.

These schedules have been prepared by this office as a general guide to be used in the valuation of business personal property, utilizing the replacement cost approach to value. It is important to remember that the schedules are only a guide. There may be situations where the appraiser will

need to make adjustments for additional, or less, functional or economic obsolescence, or for other factors.

We feel that the proper use of the schedules will aid in the overall uniformity and equity of property tax assessment practices, as required by North Carolina statutes. If you have any questions about these schedules, please contact David Baker, Tina Stone, Travis Isaacs, Robin Rogers, or Dave Duty at 919-814-1129.

Attachment 1 - Special Textile Mill Equipment

Year		Life in Years	
Acq'd	Age	8	10
		Percent Good	
2014	1	78	81
2013	2	64	69
2012	3	53	59
2011	4	41	49
2010	5	29	39
2009	6	19	30
2008	7	9	22
2007	8	5	14
2006	9	5	6
Prior		5	5

This 8 and 10 year schedule is for older technology textile equipment only. These schedules reflect additional obsolescence and a 5% residual.